

5. LAND DIVISION (REVENUE ENHANCEMENT)

- q. Designation of certain Revenue Generating Properties as income-producing assets and reserve these properties to DLNR for the purpose of generating revenues to fund Plan B of the Recreational Renaissance, and ultimately upon receiving the necessary legislation, to also repay bonds issued for DLNR's original or any approved Recreational Renaissance plan.
- r. Subject to Federal Aviation Administration prior approval, approve of and recommend to the Governor the issuance of executive orders: (1) withdrawing lands currently set aside to Department of Transportation for airport purposes, identified above as Ualena Street Industrial Properties and Kona Airport Industrial Lands, and resetting aside those lands to DLNR Land Division for income production purposes; and (2) setting aside lands identified above as Kanoelehua Industrial-Commercial Lot to Department of Transportation for airport purposes.
- s. Authorization to issue long-term leases for the Revenue Generating Properties via public auction, requests for proposals, or any other process authorized under Chapter 171, Hawaii Revised Statutes, as amended ("HRS").
- t. Delegation of authority to the Chairperson of the Board of Land and Natural Resources (the "Chairperson") to: (a) determine the appropriate process for offering and disposing of leases for each of the Revenue Generating Properties; and (b) determine the terms and conditions of each lease, provided, however, that all process, terms and conditions determined by the Chairperson shall comply with the provisions of HRS Chapter 171.
- u. Delegation of authority to the Chairperson to amend the terms and conditions of any lease, sale of a lease, public auction, request for proposal, or any other disposition previously approved/authorized by the Board, including, but not be limited to, amending the method of disposition, amending the terms and conditions of a lease to be offered for sale, adjusting the upset lease rent for leases to be sold at public auction, and amending the procedures of a request for proposal to authorize the Chairperson to select the successful applicant, negotiate the terms of any development agreement or lease, and execute any documents that are necessary or appropriate to effectuate the intent of the disposition; provided, however, that any amended terms and conditions shall comply with the provisions of HRS Chapter 171 and be subject to review and approval by the Department of the Attorney General.
- v. Authorize the revenues generated from leases of the Revenue Generating Properties to be held separately in a special fund or account to fund Plan B of the Recreational Renaissance, and ultimately upon receiving the necessary legislation, to also repay bonds issued for DLNR's original or any approved Recreational Renaissance plan.
- w. Authorize the hiring of an independent real estate consultant to review DLNR's land inventory, identify properties with development and revenue-generating potential, and provide recommendations on the disposition of leases for those properties; and delegate

to the Chairperson the authority to determine the scope of work of the consultant's contract, select the parcels to be reviewed under the contract, enter into supplemental contracts to address unforeseen conditions, and sign the necessary documents pertaining to the project.

Revenue Generating Properties.

DLNR projects that about eighty percent (80%) of the revenues required to pay the reimbursable bonds issued for DLNR's *original* Recreational Renaissance plan will be generated from leases issued by the Land Division. Since the legislature did not pass the legislation that would have allowed the DLNR to implement its *original* Recreational Renaissance plan (\$240 million in CIP projects), the DLNR will now pursue Plan B of the Recreational Renaissance which will involve income generation by the Land Division and other Divisions to fund repair and maintenance projects for our Parks, Small Boat Harbor Facilities, trails and Forest lands.

Land Division has identified the following properties within its inventory that have excellent revenue generating potential. Land Division intends to offer long-term leases for these properties to generate revenues to help fund Plan B of the Recreational Renaissance.

The leases will be issued by public auction, requests for proposals ("RFP"), or any other process allowed under Chapter 171, Hawaii Revised Statutes, as amended ("HRS"). The method of disposition for each lease will depend on the particular property's characteristics (e.g. size, location, market demand), and the lease term will not exceed the maximum allowed under HRS Chapter 171.

The revenue generating properties (hereinafter referred to as the "Revenue Generating Properties") are as follows:

1. Name/Description: Mill Town Industrial Lots (six lots)
 Location: Waikele, Ewa, Island of Oahu
 TMK: (1) 9-4-166: 1, 2, 3, 24, 25 26
 Size: 16-18,000 sq feet (each lot)
 LUC District: Urban
 County Zoning: I-1 (limited industrial)
 Trust Land Status: Section 5(b)
 DHHL 30% lands: No
 HRS Chapter 343: Final EA published in OEQC's Environmental Notice on June 23, 2003 with a finding of no significant impact (FONSI)
 Remarks: These parcels are vacant, industrial-zoned, subdivided lots with roadway and utility infrastructure (water, sewer, electric, telephone). The Board approved the sale of 65-year leases on April 13, 2006 (Item D-12).

2. Name/Description: Kawaihae Harbor Commercial Lot
Location: Kawaihae/Kohala, Island of Hawaii
TMK: (3) 6-1-3:15
Size: 1.32 acres
LUC District: Urban
County Zoning: MCX-1a (industrial-commercial mixed use)
Trust Land Status: 5(b)
DHHL 30% lands: No
HRS Chapter 343: Final EA published in OEQC's Environmental Notice on December 23, 2004 with a finding of no significant impact.
Remarks: The revenue potential for this vacant parcel improved significantly when DLNR obtained rezoning approval in 2005 to allow commercial and/or industrial uses. The parcel overlooks Kawaihae Bay, has direct access to Akoni Pule Highway, and is served by electricity, water, telephone, and sewer infrastructure. The Board approved the sale of a 65-year lease by public auction on April 13, 2006 (Item D-1), with the condition that the successful bidder obtain the necessary SMA approval. The lease was sold at public auction in 2008, and the successful bidder must obtain the SMA approval prior to issuance of the lease.
3. Name/Description: Kanoelehua Commercial Center & Industrial Park
Location: Waiakea, South Hilo, Island of Hawaii
TMK: (3) 2-1-12:41, 149
Size: 13.7 acres
LUC District: Urban
County Zoning: ML-20 (limited industrial)
Trust Land Status: 5(b)
DHHL 30% lands: No
HRS Chapter 343: Final EA published in OEQC's Environmental Notice on May 8, 2008 with a finding of no significant impact (FONSI).
Remarks: This vacant parcel is being offered as part of a 25.4-acre joint RFP with DHHL, which owns an adjacent 11.7-acre parcel. The properties have excellent revenue potential being located on Kanoelehua Avenue, a major roadway in Hilo, and near both the Hilo International Airport and Hilo Harbor.
The Board previously authorized the issuance of a joint Request for Proposal (“RFP”) with DHHL on June 13, 2008 (Item D-1) and 7/11/08 (Item D-1). The RFP issued on October 3, 2008, but subsequently cancelled. The Board amended its approval on March 27, 2009 (Item D-6) and a revised RFP will be issued.

4. Name/Description: Former Ewa Feedlot
Location: Honouliuli, Ewa, Island of Oahu
TMK: (1) 9-1-31:01
Size: 110.106 acres
LUC District: Urban
County Zoning: I-2 (intensive industrial)
Trust Land Status: Section 5(a)
DHHL 30% lands: No
HRS Chapter 343: Compliance will be required prior to issuance of a lease.
Remarks: This vacant parcel has excellent revenue potential as it is zoned for industrial use and is located within the Campbell Industrial Park. The Board previously approved issuance of a request for proposal ("RFP") on August 25, 2006 (Item D-12).

5. Name/Description: Komohana Ave Commercial Lot
Location: Ainahola St/Komohana Ave, So Hilo, Island of Hawaii
TMK: (3) 2-4-41:45
Size: 2.957 acres
LUC District: Urban
County Zoning: CN-10 (neighborhood commercial)
Trust Land Status: 5(b)
DHHL 30% lands: No
HRS Chapter 343: The successful bidder at public auction must comply with Chapter 343 requirements as a condition to issuance of the lease.
Remarks: This vacant parcel has revenue potential due to its commercial zoning, direct roadway access and available utility infrastructure. The Board approved the sale of 65-year lease by public auction on September 8, 2006 (Item D-6).

6. Name/Description: Kekaha Town Commercial Lot
Location: Kekaha, Waimea, Island of Kauai
TMK: (4) 1-3-08:05
Size: 13,703 sq. feet
LUC District: Urban
County Zoning: CG (general commercial)
Trust Land Status: 5(b)
DHHL 30% lands: No
HRS Chapter 343: Exempt pursuant to HAR Section 11-200-8(1)
Remarks: This vacant subdivided lot has direct roadway access, utility infrastructure, and is zoned for commercial use. The Board

previously approved sale of 35-year lease by public auction on May 9, 1997 (Item D-42).

7. Name/Description: Mana Industrial Park
 Location: Waiakea, South Hilo, Island of Hawaii
 TMK: 2-1-012:04, 05, 06 por., 25, 26 & 69 & 2-1-013:151
 Size: 150 acres
 LUC District: Urban
 County Zoning: ML-20; MG-1a (light and general industrial)
 Trust Land Status: 5(b)
 DHHL 30% lands: No
 HRS Chapter 343: Compliance will be required prior to issuance of a lease
 Remarks: These parcels have excellent long-range revenue potential due to the industrial zoning and proximity to the Hilo International Airport. On January 25, 2002 (Item D-10), the Board adopted a resolution designating the 150 acres as an industrial park.

8. Name/Description: East Kapolei lots
 Location: Honouliuli, Ewa, Island of Oahu
 TMK: (1) 9-1-17:86; and (1) 9-1-18: 05
 Size: 106.618 acres
 LUC District: Urban
 County Zoning: Ag-1 (restricted agricultural)
 Trust Land Status: 5(a)
 DHHL 30% lands: No
 HRS Chapter 343: Compliance will be required prior to issuance of a lease.
 Remarks: These vacant parcels have excellent long-range revenue potential as they are located along the proposed North-South Road adjacent to the H-1 Freeway and Farrington Highway. In addition, the County's Ewa Development Plan contemplates future development (including a transit node, commercial, and residential uses) and portions of the property lie with the County's proposed Transit Oriented Development boundary.

9. Name/Description: Kanoelehua Industrial-Commercial Lot
 Location: Waiakea, South Hilo, Island of Hawaii
 TMK: (3) 2-2-37:41
 Size: 2.847 acres
 LUC District: Urban
 County Zoning: MCX-20 (industrial-commercial mixed use)

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| Trust Land Status: | 5(b) |
| DHHL 30% lands: | No |
| HRS Chapter 343: | Final EA published in OEQC's <u>Environmental Notice</u> on June 23, 2003 with a finding of no significant impact (FONSI). |
| Remarks: | The revenue potential for this vacant parcel improved significantly when DLNR obtained rezoning approval in 2004 from the residential district to the industrial-commercial mixed use district. The parcel is in a prime location at the entry intersection to the Hilo International Airport, and is served by electricity, water, telephone, and sewer infrastructure. The Board approved the sale of a 65-year lease by public auction on October 8, 2004 (Item D-1) and February 25, 2005 (Item D-5). |
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10. Name/Description: Ualena Street Industrial Properties
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| Location: | Airport industrial Park, Moanalua, Island of Oahu |
| TMK: | (1) 1-1-04:01, 02, 03, 05 & 06 |
| Size: | 3.45 acres |
| LUC District: | Urban |
| County Zoning: | I-2 (intensive industrial) |
| Trust Land Status: | Acquired after August 1959 |
| DHHL 30% lands: | No |
| HRS Chapter 343: | The lots are currently encumbered by either a lease or a revocable permit. The acquisition of these lots would be subject to the existing terms of the lease or permit. Staff intends to comply with any Chapter 343 requirements. |
| Remarks: | <p>These properties represent a portion of land set aside to Department of Transportation (DOT) for airport purposes under Governor's Executive Order (EO) 3894. Whereas DOT has determined that these lands are not critical for airport activities and/or airport facilities, DOT has requested the Federal Aviation Administration (FAA) to release these properties from terms and conditions contained within certain grant agreements between DOT and the FAA. A copy of the request is attached as Exhibit D-1.</p> <p>Subject to FAA's approval of DOT's request, staff recommends BLNR recommend to the Governor the issuance of an EO withdrawing these lands from EO 3894, and resetting aside these lands to DLNR Land Division for income production purposes. Whereas these lands were acquired with DOT-Airports special funds (airport revenues), as reimbursement to DOT-Airports, staff recommends setting aside the Kanoelehua Industrial-Commercial Lot to DOT for airport purposes. Moreover, if the fair market value of Ualena Street Industrial exceeds the value of the</p> |

Kanoelehua Industrial-Commercial Lot, DLNR shall pay the difference to DOT in cash.

11. Name/Description: Kona Airport Industrial Land
 Location: North Kona, Island of Hawaii
 TMK: (3) 7-3-43:01 por., 02 por., & 03 por.
 Size: Up to approximately 626 acres
 LUC District: Urban
 County Zoning: MG-1a (industrial), MG-3a (industrial), and Open
 Trust Land Status: Parcels 01 and 03 are 5(b) lands; Parcel 02 is 5(a)
 DHHL 30% lands: No
 HRS Chapter 343: Compliance will be required prior to issuance of a lease.
 Remarks: These lands represent a portion of a larger 4,201.1-acre site currently set aside to DOT by Governor's Executive Order (EO) No. 3074 expressly for "airport, an energy research project, and their associated purposes". Whereas DOT's Kona International Airport Master Plan does not identify these lands as critical for airport activities and/or airport facilities, DOT has requested the Federal Aviation Administration (FAA) to release subject lands from terms and conditions contained within certain grant agreements between DOT and the FAA. A copy of the request is attached as Exhibit D-2.

 Subject to FAA approval of DOT's request, staff recommends BLNR recommend to the Governor to issue an EO withdrawing these lands from EO 3074, and resetting those lands to DLNR Land Division for income production purposes. Considering its proximity to the Kona International Airport, and frontage along Queen Kaahumanu Highway, these lands present an excellent opportunity for development and revenue generation.

12. Name/Description: Hart Street Industrial
 Location: Kalihi/Iwilei, Honolulu, Island of Oahu
 TMK: (1) 1-5-33:01, 02 por, 18 & 21
 Size: .61 acres
 LUC District: Urban
 County Zoning: Parcel 01 is zoned I-1 (industrial). All other parcels are IMX-1 (mixed-use industrial)
 Trust Land Status: Parcel 01 is 5(a) land. All other parcels are 5(b)
 DHHL 30% lands: No
 HRS Chapter 343: Compliance will be required prior to issuance of a lease.

- Remarks: Parcel 01 (2,623 sf) is a road remnant lot along the mauka side of Nimitz Highway across which ingress and egress is not permitted. However, adequate access to these parcels is provided via Hart Street. The industrial zoning and central location contribute to excellent revenue potential for these sites.
13. Name/Description: Pohukaina Lot
Location: Kakaako, Honolulu, Island of Oahu
TMK: (1) 2-1-59:09
Size: 3.42 acres
LUC District: Urban
County Zoning: Kakaako Mauka Special District, Public Use Areas (under the jurisdiction of the Hawaii Community Development Authority)
Land Trust Status: 5(a) and 5(b)
DHHL 30% lands: No
HRS Chapter 343: Compliance will be required prior to any disposition.
Remarks: Kamehameha Schools recently submitted an application to the Hawaii Community Development Authority for development of a mixed-use urban village in Kakaako Mauka. The proposed development is expected to enhance the revenue generation potential of the Pohukaina lot.
This site provides DLNR several revenue generating opportunities, including, but not limited to entering into a lease or joint development agreement with a government agency, or other method of disposition permitted under HRS Chapter 171.
14. Name/Description: Kapaa Town Lot
Location: Kapaa, Kawaihau, Kauai
TMK: (4) 4-5-09: 10
Size: 6,813 sq feet
LUC District: Urban
County Zoning: SPA-A (Special Planning Area-A)
Trust Land Status: Section 5(b)
DHHL 30% lands: No
HRS Chapter 343: Compliance will be required prior to any disposition.
Remarks: This parcel is presently under Revocable Permit S-5274 for landscaping and additional parking purposes. Permittee is not in compliance with the terms of the RP and Land Division is in the process of canceling the RP. Subject location, County zoning, and surrounding commercial land uses indicate revenue generation potential.

As indicated above, the Board has already authorized the sale of a lease, either by public auction or pursuant to an RFP, for several of the Revenue Generating Properties. However, certain terms and conditions previously approved by the Board for the proposed auction, RFP, or lease, may need to be amended to facilitate the development of the particular property and/or to increase the revenue generating potential. For example, DLNR held public auctions for two leases that generated little or no demand, in large part due to the depressed economy and real estate market. Accordingly, staff may seek to reduce the upset rent as permitted under HRS Section 171-17(a). In another instance, staff believes the 35-year lease term previously approved should be increased to the maximum term allowable under HRS Chapter 171 (i.e., 65 years). Finally, disposition procedures may need to be amended, e.g., to provide the successful bidder at public auction with an appropriate due diligence period or to provide the Chairperson with the authority to select the best proposal submitted in response to an RFP and execute any necessary documents. To provide DLNR with the flexibility to address such issues, staff is requesting the Board delegate the authority to the Chairperson to amend the terms and conditions previously approved by the Board, provided, that any such amendments shall comply with the provisions of HRS Chapter 171 and be subject to review and approval by the Department of the Attorney General.

The revenues generated from leases of the Revenue Generating Properties will be held separately in a special fund or account to fund Plan B of the Recreational Renaissance, and ultimately upon receiving the necessary legislation, to also repay bonds issued for DLNR's *original* or any approved Recreational Renaissance plan. DLNR will hold these revenues separately and maintain an accounting of the funds to ensure the funds are only used for the Recreational Renaissance plan and not commingled with other funds or used for other purposes.

Independent Real Estate Consultant.

In addition to the Revenue Generating properties identified above and as recommended by the Director of the State Department of Budget and Finance, DLNR wishes to retain an independent real estate consultant to review DLNR's land inventory, identify other properties with development and revenue-generating potential, and provide recommendations on the disposition of leases for those properties.

H-5 - LAND DIVISION RECOMMENDATIONS:

Land Division requests the Board:

1. Designate the Revenue Generating Properties identified above as income-producing assets and reserve these properties to DLNR for the purpose of generating revenues to fund Plan B of the Recreational Renaissance, and ultimately upon receiving the necessary legislation, to also repay bonds issued for DLNR's *original* or any approved Recreational Renaissance plan.
2. Subject to Federal Aviation Administration prior approval, approve of and recommend to the Governor the issuance of executive orders: (1) withdrawing lands currently set aside

to Department of Transportation for airport purposes, identified above as Ualena Street Industrial Properties and Kona Airport Industrial Lands, and resetting aside those lands to DLNR Land Division for income production purposes; and (2) setting aside lands identified above as Kanoelehua Industrial-Commercial Lot to Department of Transportation for airport purposes, under the terms and conditions cited above, which are by this reference incorporated herein and subject further to the following:

- A. The standard terms and conditions of the most current executive order form, as may be amended from time to time;
 - B. Disapproval by the Legislature by two-thirds vote of either the House of Representatives or the Senate or by a majority vote by both in any regular or special session next following the date of the setting aside;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
- 3. Authorize issuance of long-term leases for the Revenue Generating Properties via public auction, requests for proposals, or any other process authorized under Chapter 171, Hawaii Revised Statutes, as amended (“HRS”).
 - 4. Delegate to the Chairperson of the Board of Land and Natural Resources (the “Chairperson”) the authority to: (a) determine the appropriate process for offering and disposing of leases for each of the Revenue Generating Properties; and (b) determine the terms and conditions of each lease, provided, however, that all process, terms and conditions determined by the Chairperson shall comply with the provisions of HRS Chapter 171.
 - 5. Delegate to the Chairperson the authority to amend the terms and conditions of any lease, sale of a lease, public auction, request for proposal, or any other disposition previously approved/authorized by the Board, including, but not be limited to, amending the method of disposition, amending the terms and conditions of a lease to be offered for sale, adjusting the upset lease rent for leases to be sold at public auction, and amending the procedures of a request for proposal to authorize the Chairperson to select the successful applicant, negotiate the terms of any development agreement or lease, and execute any documents that are necessary or appropriate to effectuate the intent of the disposition; provided, however, that any amended terms and conditions shall comply with the provisions of HRS Chapter 171 and be subject to review and approval by the Department of the Attorney General.
 - 6. Authorize the revenues generated from leases of the Revenue Generating Properties to be held separately in a special fund or account to fund Plan B of the Recreational Renaissance, and ultimately upon receiving the necessary legislation, to also repay bonds issued for DLNR’s *original* or any approved Recreational Renaissance plan.

7. Authorize the hiring of an independent real estate consultant to review DLNR's land inventory, identify properties with development and revenue-generating potential, and provide recommendations on the disposition of leases for those properties; and delegate to the Chairperson the authority to determine the scope of work of the consultant's contract, select the parcels to be reviewed under the contract, enter into supplemental contracts to address unforeseen conditions, and sign the necessary documents pertaining to the project, subject to review and approval by the Department of the Attorney General and approval by the Governor.